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TAGS: EFIN EINV ETRD SCUL IZ

SUBJECT: US BUSINESS LEADERS SHARE PERSPECTIVES ON IRAQI BUSINESS CLIMATE WITH AMBASSADOR

Classified By: Economic Minister Counselor Charles Ries. Reasons 1.4 (b ,d)

SUMMARY

¶1. (C) Business leaders told the Ambassador, DUSD Paul Brinkley, and EMIN during a visit to Baghdad that they were encouraged by the improving security situation in Iraq. Fertilizer producer CF Holdings, for example, is interested in establishing a fertilizer plant to utilize large quantities of flared natural gas, and, over the longer term, Hyatt Hotels would consider hotel management contracts. While they recognized strong business opportunities, the group also acknowledged hurdles to investment, such as underdeveloped legal and banking infrastructures, unrealistic expectations by the GOI, and uneven economic development. End Summary.

BUSINESS LEADERS PRAISE SECURITY SITUATION...

¶2. (C) During a meeting on July 10, William Strong, Vice Chairman of Morgan Stanley, Stephen Wilson, President and CEO of Fertilizer producer CF Industries Holdings, Inc, and Thomas Pritzker, Chairman and CEO of Pritzker Organization and Hyatt, Inc told the Ambassador, Deputy Undersecretary of Defense Paul Brinkley, and EMIN that security improvements in Iraq exceeded their expectations. The DoD's Task Force for Business and Stability Operations (TF BSO) facilitated the visit, the purpose of which was to assess the business and investment climate in Iraq. The group met with Vice President Tariq Al-Hashimi, the Ministers of Finance, Agriculture, and Industry and Minerals, Prime Minister Maliki's Spokesman Ali al-Dabbagh, National Investment Commission officials, and former Prime Minister Iyad Alawi, as well as with Iraqi businessmen in key sectors.

¶3. (C) The leaders expressed interest in becoming goodwill Ambassadors between Iraq and the United States and said they were planning to brief Members of Congress on the improved security. The group asked the Ambassador how they could further spread their positive observations, and he suggested the leaders might engage the media on the issue, perhaps by placing an op-ed piece in a major US newspaper, for example.

...WHILE IDENTIFYING CHALLENGES

¶4. (C) While the three business leaders said they recognize strong business opportunities in Iraq, they pointed out specific hurdles. For example, the group expressed concern over an underdeveloped legal infrastructure and banking system. They also questioned whether the GOI could facilitate an environment favorable to investment or, failing that, "at least get out of the way," i.e. that complimentary services are developed concurrently. Illustrating this point, the estimate by Hyatt's Pritzker that it would take

four years to open a hotel led to CF Industries' Wilson to query, "So, where can I stay while I build a fertilizer plant?" The group also questioned whether GOI expectations of how quickly American companies could establish operations were unrealistic. In addition, Pritzker said work remained in fostering a service-oriented culture in Iraq. He was encouraged, however, that Minister of Industry and Minerals Fawzi Hariri told him a company could import up to 50 percent of its work force. "Bringing in international Hyatt talent will be an important step in promoting a strong culture of service in Iraq," Pritzker explained.

¶ 15. (C) The Ambassador suggested the three business leaders write a follow-up letter to key GOI ministers, reiterating their needs as investors and emphasizing the importance of keeping expectations realistic. "You can condition them on managing expectations this way," the Ambassador explained. The Ambassador also recommended partnering with regional companies, such as those from Egypt and Turkey, which have experience in doing business here. He also suggested establishing a local representative office as a good first step towards market entry or investment.

OPPORTUNITIES FOR FERTILIZER PRODUCTION

¶ 16. (C) CF Industries' Wilson said he was very interested in nitrogen and phosphate fertilizer production in Iraq. He was impressed by state-owned Southern Fertilizer company in Basra, despite its outdated equipment and lack of spare parts. According to Wilson, the large amount of unutilized, flared natural gas (some 8 billion cubic meters per year) in

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Iraq was particularly attractive to an energy intensive processing industry, such as fertilizer. He said his company would be more likely to build a plant in Iraq once major international companies begin assisting in gas exploration and capture of flared gas. "We won't come without stable access to the gas," he explained. Wilson said it would cost between 1 billion and 1.5 billion USD to construct a fertilizer plant.

CONCERNS OVER ANTIQUITIES

¶ 17. (C) Commenting on risks to Iraq's tourism potential, Pritzker expressed particular concern over the state of antiquities, citing both bureaucratic structure and looting. Specifically, he stated antiquities would not receive adequate attention or funding while housed in the same ministry as tourism. "Preserving and developing antiquity sites here is very important, but this will not happen unless you move antiquities to the Ministry of Culture," he explained. (Note: The Antiquities and Tourism Department exists within the Ministry of Culture. We have advocated for the GOI to create separate ministries for Culture and Tourism and worked closely with the State Board of Antiquities and Heritage on its supplemental budget request. In addition, the Embassy is currently reviewing a multi-million dollar proposal to the Ambassador's Targeted Development Fund, which would assist in capacity building in the area of antiquities.

End Note). Pritzker also complained about widespread looting, particularly in Nasiriyah, and said it appeared "organized, tribal, and unstoppable."

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